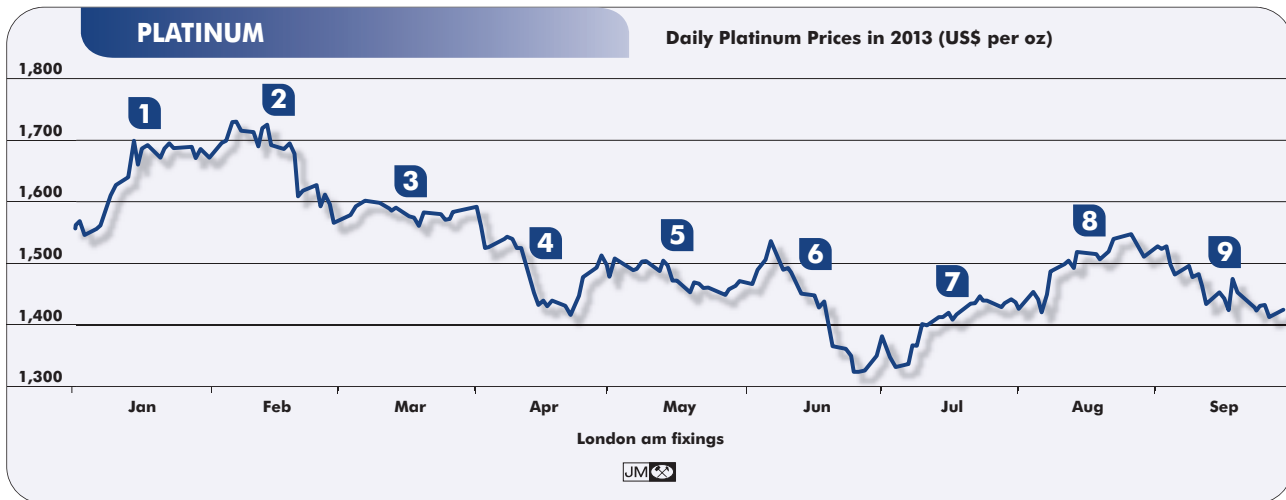


PRICES



In early 2013, speculator interest in platinum was boosted by supply concerns in South Africa, lifting the price to a peak of \$1,730 in February. Net long positions reached a record 3.4 million ounces, but speculative buying then waned as expectations of disruption began to dim. In early April, the gold price suddenly dropped over \$200 on reports of central bank selling and rumours of the end of quantitative easing (QE). This dragged platinum downwards, with the price hitting a low point of \$1,323 in June, on the back of European car market weakness. Renewed supply concerns and strong investor demand helped the price recover to \$1,422 by the end of September.

month peak of \$1,730, aided by strong speculator activity that pushed net long positions to a record 3.4 million ounces in mid February. Speculator interest waned towards the end of the month as labour tensions eased in South Africa, and platinum retreated below \$1,600 at the month end.

1 Platinum fixed at \$1,559 on the first trading day of the year, \$36 higher than the last day of 2012, boosted by a last-minute deal to avoid the so-called 'fiscal cliff' and prevent the US economy from tipping back into recession. During the first half of **January**, platinum continued to appreciate ahead of the announcement of Anglo American Platinum's (Amplats') strategic review of its operations. After the company gave details of its plans to rationalise production, the price reached \$1,697 on the 15th, at a premium to gold for the first time since March 2012. However, the anticipated labour unrest failed to materialise and this, along with an agreement from Amplats to postpone the redundancy process in order to hold discussions with stakeholders, took some of the heat out of the market.

3 In **March**, strong physical buying on the Shanghai Gold Exchange (SGE) lent support, enabling platinum to hold its ground in a narrow trading range either side of \$1,580. Late in the month came news of talks between South Africa and Russia regarding a co-ordinated marketing proposal for pgm; this supported the price, which ended the month at \$1,583.

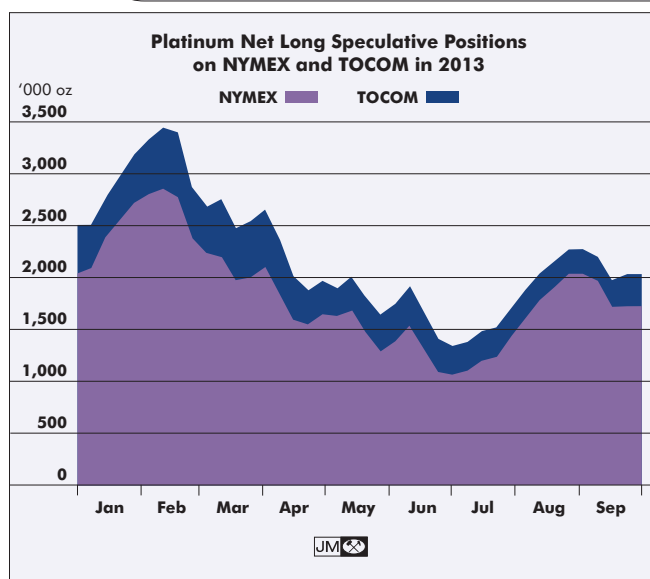
2 Supply considerations continued to dominate sentiment in **February**, as the release of Amplats' annual results – showing a heavy loss for the year – was followed by labour disruption in South Africa and the seizure of land owned by Zimplats by the Zimbabwe government. Platinum moved up to a nine

4 Despite news of a strike at Northam Platinum, it was gold that dominated the precious metal complex during **April**. Early in the month, the gold price headed sharply lower, on reports that Cyprus intended to sell €400 million of gold reserves to part-finance its bailout package, and the release of Federal Open Market Committee (FOMC) minutes suggesting that the end of QE might be in sight. Platinum went along for the ride, falling \$67 in two days to \$1,525 on the 4th. It continued to

Average PGM Prices in \$ per oz (Jan-Sep)			
	2012	2013	Change
Platinum	1,535	1,516	(1%)
Palladium	641	724	13%
Rhodium	1,321	1,102	(17%)
Ruthenium	116	82	(29%)
Iridium	1,077	942	(13%)

Platinum and palladium prices are averages of London am and pm fixings. Other pgm prices are averages of Johnson Matthey European Base Prices.

Net long speculative positions reached record levels in February, reflecting concerns over the potential for supply disruption.



retreat to a monthly low of \$1,416 on the 23rd, before staging a recovery, aided by strong purchasing on the SGE and a surge in ETF holdings prompted by the launch of a new fund based in South Africa. The Absa ETF accumulated over 170,000 oz of investment in just one week of trading, helping the platinum price to recover to \$1,513 on the 30th.

5 Supply concerns re-emerged in early **May**, with Impala Platinum considering rationalisation in response to low prices, and the market anticipating disruption when wage talks began the following month. Nevertheless, a stronger US dollar kept the lid on prices, and platinum traded in a narrow band around \$1,500. The price subsequently eased on news that Amplats had watered down its rationalisation plans following discussions with government. This weakness was exacerbated by the release of FOMC minutes which implied that QE would come to an end sooner rather than later. The prospect of higher interest rates led platinum down to \$1,448 on the 28th, but its losses were stemmed by renewed physical buying both in the ETF market and on the SGE.

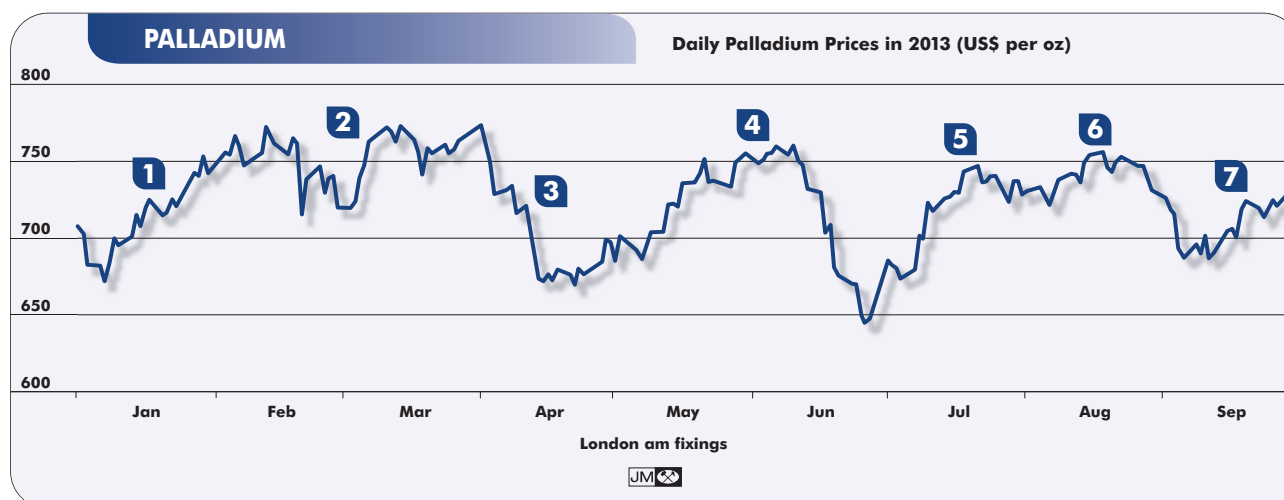
6 In early **June**, the precarious labour situation in South Africa once again came to the fore. The platinum price rose rapidly to \$1,536 on the 7th, lifted by a one-day illegal strike at Impala, the threat of industrial action at Lonmin, and a weaker US dollar. That would end up being the month's highpoint, as a number of developments acted to dampen sentiment thereafter. An official announcement from the Fed that markets could expect QE to end by mid-2014 if the economic recovery continued on its current path, allied with news that European

car sales had hit a 20 year low in May, drove platinum to its nine month low of \$1,323 on 26th June. The prospect of tightening monetary conditions had a greater impact on gold, enabling platinum to decouple and establish a \$100 premium.

7 In early **July**, the signing by mining companies, government and most unions of an agreement for sustainable mining, in which parties agreed to cooperate in addressing mining sector problems, helped to ease supply-side concerns. Platinum fell to \$1,331 on the 5th. Thereafter, there was a widespread recovery in the precious metals complex, the first time in 2013 that the prices of gold, platinum and palladium all ended the month higher than they started. A weaker US dollar combined with wildcat strikes at two Anglo mines gave the platinum price enough impetus to reach \$1,445 on the 24th. The recovery was supported by investor and speculator demand, with ETF holdings rising by another 50,000 oz, and net long futures positions recovering by more than 300,000 oz to reach 1.7 million ounces.

8 The collapse of wage negotiations in the gold mining sector provided further support to the platinum price during **August**. Late in the month, geo-political tensions surrounding the civil war in Syria supported a move higher for gold, which in turn helped platinum reach \$1,548 on the 27th. ETF investors increased their holdings for a sixth consecutive month, while speculators added 400,000 oz to take net longs back to 2.3 million ounces.

9 In **September**, fears that wage strikes at a number of gold mines in South Africa might be a sign of things to come in the platinum industry helped platinum reach \$1,529 on the 4th. However, both gold and platinum subsequently moved lower, following a Russian proposal aimed at avoiding military intervention in Syria. Attention soon turned to the American economy, with the market anticipating that the Fed would begin the process of tapering QE; despite significant dollar weakness, this led the entire precious metals complex lower. The mood of the market turned on a sixpence when the Fed surprised consensus opinion by restating its intention to continue bond purchases at the previous rate for the time being. Platinum promptly recovered its losses. Concern then switched to the Congressional deadlock over raising the US debt ceiling, with the prospect of a government shutdown generating further dollar weakness. The potential for a negative impact on economic growth caused the platinum price to drift to a low of \$1,411 on the 27th.



Palladium began the year at just over \$700, moving to a high of \$774 in early April. These gains were underpinned by strong speculator interest; net long positions on NYMEX achieved several successive all-time highs, reflecting the market consensus that palladium is in structural deficit. The price then retreated, as investors took profits, but strong industrial demand and positive auto sales data lifted the price to \$730 at the end of September.

1 With South African supply concerns viewed as mainly affecting platinum, palladium failed to follow the latter's early **January** rally. On the day of Amplats' restructuring announcement, palladium fixed at \$715, while the price ratio between the two metals stood at 2.37 in platinum's favour, the highest since November 2012. However, later in the month, palladium reached a 16 month peak of \$754 on reports that Russian state stocks were close to exhaustion, combined with growing optimism about US and Chinese vehicle sales.

2 These factors helped palladium recapture the attention of investors during **February** and **March**. In February, palladium ETFs experienced net inflows of close to 150,000 oz, the fifth largest monthly total on record. Speculator interest was also piqued, and net longs on NYMEX grew steadily to reach a record high of 2.9 million ounces on 12th March. Palladium traded above \$750 for most of this two month period, reflecting increasing confidence in the prospects for economic growth in the USA.

3 On 2nd **April**, the price hit \$774, the high point of the first nine months of 2013, as speculative net long positions reached a fresh all-time high of 3 million ounces. However, palladium

subsequently moved lower, slumping to \$670 on the 23rd, in the wake of sharp falls in platinum and gold prices.

4 In **May**, investors reacted positively to Johnson Matthey's Platinum Review, which confirmed that palladium remained in structural deficit. The price outperformed that of platinum, appreciating by 10% to end the month at \$755, with the platinum:palladium price ratio falling under 2:1 for the first time since 2002. In **June**, palladium again followed platinum lower, declining to its nine month low of \$644.

5 **July** saw a recovery, with the price reaching \$747 on the 22nd, boosted by positive US auto market data, and market rumours that Gokhran, the Russian State Precious Metals and Gem Repository, might make purchases of precious metals, including palladium. The latter again outperformed platinum, with the ratio between the two metals falling to a low of 1.91 on the 19th.

6 In **August** palladium drew strength from concerns about potential disruption to production in South Africa, hitting \$756 on the 19th, but ETF investors took profits for the third consecutive month, and the price retreated to \$731 at the month end.

7 Palladium significantly underperformed platinum in early **September**, slumping to \$686 on the 12th. The price proved more resilient thereafter, with positive auto data from China sparking fresh buying interest and enabling palladium to regain the psychologically important \$700 level. Underlying industrial demand fortified investor sentiment towards the end of the month, lifting palladium to \$730.

OTHER PGM

Rhodium rose to a peak of \$1,265 in February, supported by concerns over supply, some industrial buying, and significant physical investment demand. However, precious metal prices came under pressure in April, and rhodium started to give up its gains. In mid year, weaker industrial and investment demand caused the price to slip to \$975, a nine year low. Although this tempted some buyers back into the market, rhodium remained below \$1,000 at the end of September. Ruthenium and iridium prices also fell to multi-year lows, hit by slack industrial demand and increased selling pressure.

Rhodium started 2013 at a Johnson Matthey base price of \$1,080. From mid **January**, it began to make gains, initially in response to the announcement from Amplats that it planned to rationalise pgm output, followed by buying from Asia and Europe which bid the price up to \$1,265 in early **February**.

Although supported by significant demand from European ETF investors, the rhodium price softened along with the rest of the precious metals complex during the first half of **April**, falling to \$1,160 in mid month. The downward trajectory continued throughout **May**, with the market under pressure from selling in Europe and North America. Rhodium gave up all of its gains since the start of the year, falling to \$1,080.

Slower industrial and investment demand during **June** and **July** resulted in the price drifting below the \$1,000 level to hit a nine year low of \$975 on 18th July. With the price now down 23% from its first quarter peak, ETF investors were enticed back into the market, adding 11,000 oz to holdings.

During **August**, increased demand from Asia and North America, combined with further ETF buying, lifted the price back above \$1,000 for a short time, but **September** saw an increase in offers of secondary metal, and rhodium edged back to \$990.

Both ruthenium and iridium have seen steady price erosion since mid 2013. Ruthenium was stable at \$85 between **January** and **July**, but succumbed to increased selling pressure thereafter, edging steadily lower during **August** before dropping sharply to \$60 in early **September**. It ended the month at \$57, an eight year low.

Iridium saw a slow decline during the first six months of the year, with the price easing from \$1,050 in **January** to \$1,000 in early **April**. From **June** onwards, its descent steepened, and by the end of **September** the price stood at \$675 – a decline of more than a third since the start of the year, and its lowest level since May 2010.

